MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

BAC4654 – E-AUDITING

(All sections / Groups)

27 FEBRUARY 2016
9.00 AM - 12.00 PM
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **THREE (3)** printed pages with **FIVE (5)** questions.
2. Answer **ALL** questions.
3. Marks are shown at the end of each question.

QUESTION 1

The internal audit department of Sachem Manufacturing Company is considering the purchase of computer software that will aid the auditing process. Sachem's financial and manufacturing control systems are completely automated on a large mainframe computer. Melinda Robinson, the director of internal auditing at Sachem Manufacturing Company, believes the company should purchase software to assist in the financial and procedural audits her department conducts.

Robinson is considering the following software packages:

i) A generalized audit software package to assist in basic audit work, such as the retrieval of live data from large computer files. The department would review this information using conventional audit investigation techniques. The department could perform criteria selection, sampling, basic computations for quantitative analysis, record handling, graphical analysis, and print output (i.e., confirmations).

ii) An ITF package that uses, monitors, and controls dummy test data processed by existing programs. It also checks the existence and adequacy of data entry and processing controls.

iii) A flowcharting package that graphically presents the flow of information through a system and pinpoints control strengths and weaknesses.

iv) A parallel simulation and modeling package that uses actual data to conduct the same tests using a logic program developed by the auditor. The package can also be used to seek answers to difficult audit problems (involving many comparisons) within statistically acceptable confidence limits.

Required:

a) Without regard to any specific computer audit software, identify the general advantages of using the software.

(8 marks)

b) Describe the audit procedure and the purpose facilitated when using the following:
   1) GAS
   2) ITF
   3) Flowcharting
   4) Parallel processing

(12 marks)
(Total: 20 marks)

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QUESTION 2

a) Reasonable assurance and materiality are the terms that auditors use to describe the scope of their responsibility to the public. Similarly, reasonable assurance and materiality are the key determinants of audit effort.

In view of the above statement, at what step in the audit process do the concepts of reasonable assurance and materiality enter into the auditor's decision process?

(12 marks)

b) Explain the four steps of the risk-based audit approach, and discuss how they apply to the overall security of a company.

(8 marks)
(Total: 20 marks)

QUESTION 3

a) In light of the increasing demand on auditors to make the audit more effective and efficient, computer assisted audit tools and techniques (CAATTs) can be used in achieving these objectives. Result of surveys conducted show that auditors seemed to perceive the potential benefits associated with CAAT, however, they displayed a lower confidence in their technical abilities in using the application. Also, the auditors surveyed expressed a desire to increase their skills through increased CAAT training. Taken together, these results give audit decision makers evidence that additional technical training is needed and desired by auditors.

In view to the above statement, list and explain in detail the factors that need to be considered before adopting CAAT.

(10 marks)

b) Explain test data processing. Your explanation should include the process and the sources that an auditor can use to generate test data.

(6 marks)

c) Describe the disadvantages of test data processing.

(4 marks)
(Total: 20 marks)

QUESTION 4

A database is a collection of data that is shared and used by many different users for different purposes. Each user may not necessarily be aware of all the data stored in the database, or of the ways that the data may be used for multiple purposes. Generally, individual users are aware only of the data that they use and may view the data as computer files utilized by their applications.

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In database systems, general controls normally have a greater influence than application controls because of data sharing, data independence and other characteristics of database systems. The general controls of particular importance in a database environment can be classified into several groups.

Explain the effect of databases control on accounting systems and audit procedures. Your answer should include the effect of databases control on accounting systems and the effect of databases control on audit procedures.

(20 marks)
(Total: 20 marks)

QUESTION 5

The purpose of an information systems audit is to review and evaluate the internal controls that protect the system. When performing an information system audit, auditors should ascertain that audit objectives are met.

a) List and explain the six objectives that govern the information systems audit.

(10 marks)

b) Compare and contrast the frameworks for auditing program development/acquisition and for auditing program modification.

(6 marks)

c) Describe the incidence that could result in error or fraud in program development / acquisition and modification. Provide explanation and example.

(4 marks)
(Total: 20 marks)

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